



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 1, 2009

TO: Board of Supervisors  
Department Heads

FROM: Wendy L. Watanabe  
Auditor-Controller

**SUBJECT: 10 PERCENT STATE PAYROLL TAX WITHHOLDING INCREASE**

This memo provides an update on the recent actions by the State of California during its budget process. Specifically, beginning with wages paid on November 1, 2009, the State will require employers to withhold additional income taxes that will result in a tax increase of 10 percent. For example, if an employee's current monthly State tax withholding is \$200, under the new State law, tax withholding will become \$220 ( $\$200 + (\$200 \times 10\%) = \$220$ ).

Please note that although this change will increase future monthly tax withholdings (which impacts employees' net pay/take-home pay), it will not change an employee's annual tax liability. To illustrate further, assuming an employee's annual taxable income is \$75,000 with tax status of married and filing for joint return:

	Employee's Annual Taxable Income	State Tax Withholding – Married, Filed Jointly	State Tax Liability – Married, Filed Jointly	Annual Tax Refund
Current Law	\$75,000	\$2,615 <sup>(1)</sup>	\$2,615	
New Law	\$75,000	\$2,877 <sup>(2)</sup>	\$2,615	\$262 <sup>(3)</sup>

Footnotes:

(1). Per 2008 California Tax Table.

(2). Tax withholding increased by 10% from \$2,615 to \$2,877, it represents a lesser take-home pay.

(3). Difference between State Tax Withholding and State Tax Liability.

In both examples above, if an employee's tax status remains unchanged, the additional withholding will either increase the employee's refund or decrease the taxes owed at year end.

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To date, we have not received updated tax tables reflecting the increase. My Countywide Payroll Division will provide these tables to departments' payroll personnel as soon as they are available. Additionally, we will notify all County employees of this tax withholding increase on the October 15<sup>th</sup> paystub, so employees may seek tax advice if so choose.

If you have any questions, please call me, or your staff may contact Gregg Iverson, Countywide Payroll Chief, at (213) 974-8401.

WLW:MMO:RAD:GI

c: Chief of Staff, Board of Supervisors  
Chief Deputies  
Administrative Deputies  
Public Information Office  
Audit Committee